

A PRESIDENTIAL CLIMATE COMMISSION REPORT



**PRESIDENTIAL
CLIMATE COMMISSION**
TOWARDS A JUST TRANSITION

LAYING THE FOUNDATION FOR A JUST TRANSITION FRAMEWORK FOR SOUTH AFRICA

DECEMBER 2021



About this report

This report is compiled by the Secretariat of the Presidential Climate Commission to inform the development of a just transition framework for South Africa.

The report is based on a summary of the Presidential Climate Commission's thematic public dialogues in 2021, prepared by Zenande Leadership Consulting, and a summary of the following working papers, prepared as input to the just transition framework:

Beukman, R. & Reeler, J. 2021. *A Just Transition in the Water Sector*. Cape Town: WWF.

Lowitt, S. 2021. *Finance and the Just Transition*. Pretoria: TIPS.

Makgetla, N. 2021. *Governance and the Just Transition*. Pretoria: TIPS.

Makgetla, N. 2021. *The Just Transition in Coal*. Pretoria: TIPS.

Maseko, N. 2021. *Unemployment and Sustainable Livelihoods: Just Transition Interventions in The Face of Inequality*. Pretoria: TIPS.

Montmasson-Clair, G. 2021. *Policy Primers for a South African Just Transition Framework*. Pretoria: TIPS.

Patel, M. 2021. *Towards a Just Transition: A Review of Local and International Policy Debates*. Pretoria: TIPS.

To read all the reports and watch all the dialogues, visit www.climatecommission.org.za.

The Presidential Climate Commission would like to thank all stakeholders and social partners who expressed views and contributed actively to the just transition thematic dialogues and debates.



About the Presidential Climate Commission

The Presidential Climate Commission is a multistakeholder body established by the President of the Republic of South Africa to advise on the country's climate change response and pathways to a low-carbon climate-resilient economy and society. In building this society, we need to ensure decent work for all, social inclusion, and the eradication of poverty. We also need to protect those most vulnerable to climate change, including women, children, people with disabilities, the poor and the unemployed, and protect workers' jobs and livelihoods. The Presidential Climate Commission facilitates dialogue between social partners on these issues – defining the type of society we want to achieve, and detailed pathways for how to get there.





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Executive summary

The Presidential Climate Commission (PCC) is planning to produce a just transition framework in 2022 for approval by South Africa's Cabinet. The just transition framework will be a strategic plan for achieving a just and equitable transition to net-zero CO₂ emissions in South Africa by 2050, setting out the actions that social partners will take over the short, medium, and long term. The just transition framework will provide the necessary foundation to guide other planning and policy-setting processes. In so doing, the just transition framework will bring coherence and coordination across all just transition planning in South Africa.

In 2021, the PCC commissioned several studies and undertook public consultations to help inform the development of the just transition framework. These studies and consultations helped unpack some of the issues at the heart of a just transition in South Africa, setting the stage for the development of a just transition framework that is practical, timely, and actionable, and meets the needs of all social partners.

This report presents a summary of these studies and consultations, highlighting important considerations for the development of the just transition framework. The key messages from each thematic study and dialogue are as follows:

Developing a vision and establishing policies to support a just and equitable transition

- A just transition is at the core of climate action, with workers and communities empowered to define the transition towards low-emissions and climate-resilient development
- A just transition includes procedural, distributive, and restorative aspects, and requires deep systemic reforms that broaden economic ownership in a decarbonised economy and resilient society
- A definition of a just transition has begun to emerge in the Climate Change Bill and via the National Planning Commission stakeholder engagement process
- Many interventions required to support a just transition are already known and tested in South Africa; these can be meaningfully harnessed to support the shifts that lie ahead

Supporting sustainable livelihoods

- A just and equitable transition in South Africa must create jobs, enhance livelihoods, and generate opportunities for localised industrialisation – moving towards a genuine transformational process that supports an inclusive and competitive economy. The transition should create decent work (equivalent or better) at sufficient scale in large industrial enterprises that are linked to the future green economy
- The transition requires measures to shift the labour force of today to the labour force of tomorrow, with a focus on building the skills pipeline and enterprises; lifting the unemployed into full-time employment by substantially expanding the labour force; and expanding opportunities for livelihoods, small-scale businesses, and community empowerment as a way of supporting vulnerable communities
- Several well-tested interventions can help to support the transition, including better social welfare programmes, reskilling and education programmes, relocation incentives, and new local manufacturing zones that can absorb low-skilled labour

Financing a just transition

- South Africa will require new and substantially increased finance to support a just transition
- Several transition projects could be funded within the current climate finance ecosystem, although others may have difficulty attracting funding, with some markets not yet appropriately valuing social outcomes
- To support increased finance and investment, South Africa will need to track climate and just transition finance flows, promote common taxonomies and reporting, use incentives and regulatory measures to scale them up, encourage blended finance instruments, and tailor instruments to meet the just transition imperative

Improving water security in the face of climate risks

- South Africa is a water-insecure country, and climate change will further exacerbate the current water security challenge. The country's ability to adapt to a changing climate will depend on adequate management of depleting water resources, improved water-sector governance, and protection of strategic water-source areas
- The future allocation of water must be carefully considered as part of a just transition. While water efficiency is desirable in all cases, the allocation of water towards economic activities that support low-emissions development should be prioritised, particularly when viewed through a justice lens, ensuring that benefits accrue to the most affected and most vulnerable
- Robust and timely implementation of existing water strategies and plans could also help to improve domestic water security

Creating good governance structures to manage a just transition

- Good governance structures are essential for supporting a just and equitable transition. This will require a different governance model, allowing the state to work in a cooperative manner with social partners, coordinated by the centre of government
- The just transition agenda must cut across all spheres of government. It must be placed more centrally in the mandates of government agencies, with dedicated regional development mechanisms and cascading engagement between social partners to the provincial and local levels
- All social partners must be held to account in the just transition, with regular monitoring, review, and reporting towards stated goals
- Education and awareness-raising programmes on climate change and the just transition are important

South Africa is at the beginning of the just transition journey, with much still to be formulated in the way of policies and actions. The just transition framework that will be developed by the PCC presents an opportunity to start dealing with issues relating to governance mechanisms, economic diversification tools, labour market interventions, and social support.

The research and summaries of engagement, as presented in this report (among others), offer a foundation to inform the development of a just transition framework for South Africa. Importantly, this process is not starting from scratch, but building on years of learnings and experience. The time horizon for the transition is approaching, and a coordinated response is needed quickly.

Introduction and context

South Africa is committed to addressing climate change, as demonstrated by its new climate targets for 2030 and for 2050 – both underpinned by a recently adopted climate change bill that provides a legal basis for action. For the first time, South Africa's climate targets are compatible with limiting warming to 1.5°C – the goal that all countries agreed to as part of the Paris Agreement, and essential for helping to stave off the worst climate impacts.

Achieving a just transition is at the core of all climate action in South Africa. The research is clear that the transition towards low-emissions and climate-resilient development will create new and better jobs, grow the economy, help protect the environment, and improve human health. But these changes will also bring risks, particularly for those workers and communities whose livelihoods are tied to fossil fuel industries. The just transition is intended to help those affected in South Africa not only to survive the transition, but also to thrive, seizing the opportunities presented by a greener and more sustainable society.

The just transition agenda emerged in national discourse more than a decade ago. The notion of a just and equitable transition was initially raised by trade unions and social justice researchers, before entering the formal policy domain in 2011 when it was recognised as a key imperative in South Africa's approach to dealing with climate change, as part of the National Climate Change Response White Paper.

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A just transition has also been discussed and debated as part of South Africa's national planning processes. In 2018 and 2019, the state-formed National Planning Commission conducted a series of dialogues nationally with a wide range of stakeholders on key issues related to development, including the impacts of climate change and the just transition. These dialogues concluded that South Africa faces significant risks because of climate change – direct climatic impacts, as well as a shift in global trade – which must be managed responsibly if South Africa is to prosper in the years ahead. The just transition agenda again emerged as a key priority for national development.

In 2018, the Department of Forestry, Fisheries and the Environment commissioned work to examine the impacts on jobs and livelihoods in the transition to a low-emissions society. This process culminated in the publication of the National Employment Vulnerability Assessment and the Sector Job Resilient Plans, which focus on key areas of South Africa's economy that will be most affected by the transition.

Actors along the coal value chain, as well as the private sector, are starting to embrace the just transition. This has been driven primarily by global decarbonisation efforts, the declining cost of renewable energy, the financing withdrawal for new coal builds, and the national energy policy, among others. Eskom, for example, has committed, in principle, to achieving net-zero emissions by 2050 and has established a just transition office to manage the shift. Sasol and Exxaro have also committed to reaching net-zero emissions by 2050 and are exploring pathways for moving their businesses away from coal, while incorporating the concept of a just transition into their new strategies. The National Business Initiative has also developed a set of net-zero pathways for South Africa, particularly looking at the impacts on the private sector, trade, employment, and technology development.

There are emerging definitions of a just transition for South Africa. The newly adopted Climate Change Bill, for example, encapsulates the need for a transition to a lower carbon economy and acknowledges the need for social justice in this process. The bill defines a just transition as follows, based on extensive stakeholder input through the National Economic Development and Labour Council process: "‘Just transition’ means a shift towards low carbon, climate resilient and ecologically sustainable economies and societies which contributes to the creation goals of decent work for all, social inclusion, and the eradication of poverty." The National Planning Commission has also expanded on this definition as part of the development planning process.

In 2020, South Africa's Cabinet formally created the PCC to coordinate and oversee the transition. The PCC is charged with building a social partnership around the just transition, built on an evidence base of science and research. The commitment to improving the lives and livelihoods of all South Africans is central to the PCC's mandate, particularly those who have been historically most marginalised, or those who will be most affected by the transition in the years ahead.



About this report

ONE OF THE FIRST MAJOR TASKS OF THE PCC IS TO DEVELOP A JUST TRANSITION FRAMEWORK – A GUIDING DOCUMENT ADOPTED BY CABINET AND SUPPORTED BY ALL SOCIAL PARTNERS TO FACILITATE A JUST AND EQUITABLE TRANSITION IN SOUTH AFRICA. THE FRAMEWORK WILL SET OUT INITIATIVES TO SUSTAIN AND ACCELERATE A JUST TRANSITION TOWARDS DESIRED MITIGATION AND ADAPTATION OUTCOMES, KEEPING THE LIVES AND LIVELIHOODS OF IMPACTED SOUTH AFRICANS AT THE CENTRE. THE FRAMEWORK WILL ALSO PROVIDE GUIDANCE FOR PRIORITISING AND SEQUENCING GOVERNMENT PROGRAMMES AND INITIATIVES, CREATING THE FOUNDATION FOR THE IMPLEMENTATION PLAN THAT WILL FOLLOW.

In 2021, the PCC commissioned several studies and undertook public consultations to help inform the development of the just transition framework. These studies and dialogues focused on six issues pertinent to a just transition: the necessary policy foundation to support a just transition; the coal value chain; sustainable livelihoods; financing a just transition; water security in the context of current and future climate risks; and governance.

This report presents a summary of these studies and dialogues, setting the stage for the development of a just transition framework that is based on evidence and the views from all social partners. The report is divided into six sections, capturing the issue areas noted above. Each section starts with a summary of the relevant report, followed by key messages from the public dialogue. A “looking ahead” section concludes the report, capturing the critical issues that have surfaced and that have bearing on the development of the just transition framework.



Report and dialogue

#1: Policy Primers

THE FIRST REPORT AND DIALOGUE FOCUSED ON THE VISION AND POLICY FOUNDATIONS THAT ARE NECESSARY TO SUPPORT A JUST AND EQUITABLE TRANSITION IN SOUTH AFRICA.

KEY MESSAGES

A just transition presents an opportunity for social redress in South Africa, particularly for vulnerable populations. These vulnerable populations include women, unemployed youth, and communities whose livelihoods are tied to the fossil fuel industry. The just transition should focus on uplifting these vulnerable populations, with a particular focus on gender justice and education, which is fundamental to avoiding inequality.

A just transition presents the possibility of new forms of collaboration between the state and private sector, and between South Africa and the rest of Africa. South Africa has outlived its historic growth model centred around the minerals-energy complex and commodities exports. The just transition therefore offers the possibility of new forms of collaboration between the state and private sector. A just transition also presents new opportunities for reimagined multilateral politics, prioritising the redirection of global surplus to underdeveloped and developing countries, especially in Africa.

Achieving a just transition should support three dimensions of transitional justice:

1. Procedural justice, which means following an inclusive process
2. Distributive justice, which means addressing the direct consequences of the transition (for example, through policies focused on labour markets and social protection)
3. Restorative justice, which means addressing the historic damages against individuals, communities, and the environment

In practical terms, achieving a just transition will require a mix of measures and approaches that reflect the diversity of views in a country, through a series of incremental building blocks.



South Africa has undertaken all dimensions of transitional justice in other fora, which provide a basis for the work on just transitions:

- **Procedural justice:** South Africa has a rich history of grassroots, bottom-up mobilisation, which translated into important democratic progress from 1994. This spirit has, however, eroded over time, falling short of genuine social dialogue. Community structures have also progressively weakened. Various existing channels (both representative and direct) could provide a basis for rekindling participatory justice.
- **Distributive justice:** South Africa has implemented a range of labour-market policies that provide some degree of support for South Africa's workers. While unable to deliver adequate levels of worker protection, these existing policies could formulate the basis for a just transition and a more inclusive labour market. South Africa has also developed policy measures to foster green industrial development; however, overall, industrial policy in South Africa is not yet well aligned with a just transition. Finally, South Africa has implemented a social protection system to help reduce poverty. Gaps in coverage, and insufficient levels of support, have, however, hampered its impact, leaving vulnerable stakeholders in jeopardy. Addressing such shortcomings could form the basis of a comprehensive and empowering social security.
- **Restorative justice:** South Africa has strong roots of restorative justice from the post-apartheid days. Considerable progress has been achieved in addressing some of the fundamental socio-economic injustices. The drive for restorative justice has, however, eroded over time, with clear frictions between political, economic, social, and environmental outcomes. Rekindling the restorative justice agenda and spirit in the country could provide the basis for achieving a transformative transition.



Just transition planning is still nascent in South Africa, but important justice foundations are already in place. Most of the abovementioned policy tools and interventions that will be necessary to affect a just transition are known and already tested (at least to some extent) in the country, but not yet meaningfully harnessed for the just transition agenda. The just transition framework can help to drive progress by setting out the incremental building blocks to progressively raise ambition.

South Africa currently does not have a universally shared and binding long-term vision to address climate change that could be defined as part of the new just transition framework. The current vision of achieving “net-zero by 2050” (contained in the National Development Plan and long-term strategy) does not provide sufficient detail to guide short- and medium-term action. The vision could be expanded to include a clear description of gas coverage and near-term milestones to guide immediate decisions.

The long-term vision for addressing climate change should balance the urgency of the climate crisis with what is feasible in terms of South Africa’s existing development challenges. Some stakeholders see a need to demonstrate high ambition along the lines envisaged in the national development plan, while others recommend an approach that focuses more on South Africa’s existing development challenges, for example, the size of Eskom’s debt, poverty, and potential job losses because of the transition.



Report and dialogue

#2: The Coal Value Chain

THE SECOND REPORT AND DIALOGUE FOCUSED ON THE COAL VALUE CHAIN, AND THE OPPORTUNITIES AND RISKS PRESENTED IN THE TRANSITION AWAY FROM COAL IN SOUTH AFRICA.

KEY MESSAGES

South Africa has extraordinarily high levels of emissions from coal by global standards. The main reason is that South Africa relies on coal for electricity more than most other countries; yet, it now costs more to generate electricity from coal than from renewable sources. In these circumstances, a shift to new energy sources is inevitable.

The transition away from a carbon-intensive economy in South Africa will fall mostly on the coal and petrochemical value chains and therefore alternative economies must be developed. The coal value chain is embedded in the South African economy and society, generating over R80-billion in GDP and employing 120 000 people. Coal plays an outsized role in Mpumalanga's economy, but the issue of job losses should not only focus on the coalfields in Mpumalanga, but also on the other provinces along the coal value chain where communities are equally affected.

The transition to new forms of clean energy will create new opportunities and benefits, including beyond the energy sector. The transition should make electricity cheaper and more dependable, and prevent trading partners from imposing carbon taxes on South African exports. These benefits will boost overall economic growth and job creation, with broad benefits for all citizens. Significant benefits can be reaped through the development of new clean energy markets, with improvements in local air quality when moving away from coal combustion, bringing important benefits for human health. There are also opportunities to develop new mining operations to supply clean energy minerals (platinum, manganese, lithium).

There will, however, be significant costs to the businesses, communities and workers that depend on the coal and petrochemical value chain for their livelihoods. The costs of the transition to new energy sources will fall mostly on stakeholders in the coal value chain itself. Over time, companies will have to write off coal reserves and capital investments; mining jobs will disappear; and the four districts in Mpumalanga that rely on coal will have to diversify into new economic activities.



The workers and communities that depend on the coal and petrochemical value chain may not have the social, human, and financial capital to adapt to the changes that lie ahead. The populations that depend on the coal and petrochemical value chain may find it hard to identify new opportunities because of scarce resources. Unless the government and society at large support workers and their communities in the coal and petrochemical value chain, the energy transition risks deepening inequalities, suffering, and conflict. There must be a transition plan for every worker in the industry, including options for re-employment elsewhere in the mining industry, employment in alternative local industrial activities or enterprises, and, as a last resort, early retirement and social support.

Questions remain around the pace of South Africa's energy transition and the privatisation of future energy supply. South Africa has significant coal deposits and currently generates most of its electricity from coal. While stakeholders agree that the clean energy transition is necessary, there are questions about the pace of that change and the privatisation of future energy supply, particularly considering South Africa's existing development challenges. A deep systematic transformation is required rather than just managerial reforms, with economic redistribution a building block for this change.

A carefully planned and phased energy transition will be necessary. At the outset, it is important for the focus to be on building clean-energy-generation capacity before prioritising the decommissioning of Eskom and the closing of coal mines. This will require substantially ramping up both public- and private-sector renewable energy projects, which will create the necessary demand to localise the manufacturing of most components. Retrofitting coal plants with recent technologies, instead of closing them down entirely, could also be a beneficial transitional step.

Makgetla (2021) identifies five phases of an effective transition away from coal in South Africa. The timeframes of the various phases are highly uncertain, beyond the broad likelihood of an initial decline in coal use for electricity of between 10% and 20% in the 2020s, accelerating from 2025, with sharper falls in the 2030s and 2040s. In any planning process, this kind of uncertainty requires flexible and responsive processes that can adapt to the latest information, opportunities, and threats.



- **First phase:** The main economic stakeholders, led by the national government, agree on the inevitability of the transition and the need to support affected people and communities. The main blockages are continued contestation within the state both about the speed of the transition and the extent of support warranted for coal communities
- **Second phase:** The main economic stakeholders agree on initial timeframes, targets, strategies, and responsibilities for the just transition. This includes reduced emissions from coal, greater employment and asset ownership in working-class households, improved education, and community mobilisation
- **Third phase:** The main economic stakeholders develop and test practical programmes and policies to diversify the economies of the coal districts in Mpumalanga and support displaced workers and small businesses. The biggest obstacles are identifying viable programmes on an adequate (large) scale, securing buy-in from stakeholders, and mobilising sufficient resources to secure success
- **Fourth phase:** The main economic stakeholders secure sufficient participation in implementation, with systems that ensure adaptation to changing conditions and information
- **Final phase:** The successful diversification of the coal districts is achieved, in ways that generate decent alternatives to coal mining



Mitigation and adaptation projects (for example renewable energy pilot projects) will help local communities see the tangible effects of the energy transition. Instead of being theoretical, pilot projects will activate local creativity, and help communities envision a clean energy future. Pilot projects can also help to create ownership and accountability through different ownership models, which can later be applied at a broader country level. This could allow different stakeholders to be involved in the experimentation and development of infrastructure change. Mpumalanga, currently the centre of fossil fuel extraction and coal-fired power plants, could, for example, develop and implement an industrialisation strategy focusing on renewable energy and clean technology manufacturing, as a model for other provinces to follow. Mpumalanga also has the potential to be a hub for the future hydrogen economy, with Sasol commencing a pilot project driven by renewable energy at its Secunda plant.



Report and dialogue #3: Employment and Sustainable Livelihoods

THE THIRD REPORT AND DIALOGUE FOCUSED ON CREATING SUSTAINABLE LIVELIHOODS AS PART OF A JUST AND EQUITABLE TRANSITION, INCLUDING A DEEPER EXAMINATION OF HOW JOBS WILL BE AFFECTED DURING THE TRANSITION.

KEY MESSAGES

South Africa has the highest levels of unemployment, poverty, and inequality in the world, which has bearing on what it means to achieve a just transition. These development challenges have been exacerbated by the Covid-19 pandemic. In 2020, for example, South Africa's overall employment figures dropped by more than a million people. Currently, more than 30% of the working class is unemployed and more than 50% of the youth is jobless. Unemployed people and poor households are more likely to be vulnerable to the impacts of climate change. These populations often lack the resources to rebuild after significant weather events and adapt to new technologies, policies, and practices.

The transition to a low-emissions and climate-resilient economy will affect where jobs are created and lost. The jobs most at risk in the near term are in the mining, petrochemical, electricity, agriculture, and tourism sectors, but these job losses could be offset by the build-out and consistent roll-out of renewable energy projects, combined with localisation of the manufacturing value chain.

The transition is expected to result in an overall net gain in jobs. The transition to a net-zero emissions economy will require massive investment and create markets for new commodities, which come with new jobs. Opportunities for maximising job creation can arise through switching to electric vehicle production; investment in peaking power; green fuels such as hydrogen; minerals to support the green economy; infrastructure investment in power and transport; and the emergence of South Africa as the green finance hub for Africa.



Renewable energy projects are a powerful job creator. Although stakeholders disagree on the number of new jobs that will be created, and their sustainability and quality, it is acknowledged that the development of South Africa's renewable energy sector will provide new employment opportunities. To fully embrace the opportunities presented by the transition, the targeted workforce will require training and reskilling. All efforts should be made to absorb the unemployed/affected workers, rather than creating a migration of skills from other sectors.

Achieving a just and equitable transition will require several interrelated measures that focus on creating sustainable livelihoods. It will require a shift of the labour force of today to the labour force of tomorrow, with a focus on building the skills pipeline and enterprises; it will require upliftment of the unemployed to full-time employment, by substantially expanding the labour force; and it will require the expansion of opportunities for livelihoods, small-scale businesses, and community empowerment as a way of supporting communities. Importantly, the transition should create decent work (equivalent or better) at sufficient scale in large industrial enterprises that are linked to the future green economy.



The creation of decent work and fair wages lies at the centre of a just transition. Collective bargaining will be necessary to ensure that all workers are supported with good wages in the transition. Workers in the coal and petrochemicals value chain also need to find equivalent employment in large industrial enterprises, should they so choose.

Several well-tested interventions can help to support the transition and protect vulnerable groups. Existing state programmes can be expanded to support unemployed people and poor households in building resilience to climate-related impacts, for example, by climate-proofing low-income houses or formalising informal settlements. These measures can also help reap additional benefits by creating local manufacturing zones that are able to absorb low-skilled labour. Other interventions include relocation incentives, as well as better social welfare and education programmes. Reskilling programmes should consider opportunities for building local climate resilience, in ways that could activate local green economies and change the way children in schools see future jobs. Early retirement programmes and income protection can also assist.



Report and dialogue #4: Financing a Just Transition

THE FOURTH REPORT AND DIALOGUE FOCUSED ON THE MEANS OF
FINANCING A JUST AND EQUITABLE TRANSITION.

KEY MESSAGES

South Africa requires financial assistance and investment from the international community to support a just transition. It is estimated that South Africa requires an investment of R300-billion over the next three decades to support a just transition towards low-emissions and climate-resilient development. South Africa's current biggest opportunity for attracting international climate finance is in the transformation of the electricity system, specifically focused on decentralisation and decarbonisation.

Securing increased finance will require a range of measures. It will require tracking climate and just transition finance flows, promoting common taxonomies and reporting, using incentives and regulatory measures to scale them up, encouraging blended finance instruments, and tailoring instruments to meet the just transition imperative.

South Africa could consider putting together a financing package that is comprehensive and long term. This financing package could chart a path for at least 30 years, and be in line with national development objectives, helping to attract a combination of donor aid, development finance, and private-sector finance, including from domestic sources. Importantly, this financing package should not come with conditions that may be detrimental to South Africa's development imperatives.

Achieving the necessary quantity and quality of investment to support a just transition will require all actors (private and public, local, and international) to play a role. The South African government has a particularly significant role in creating an enabling environment and consistent market signals.

While international finance is typically geared towards large-scale initiatives, communities should also reap the benefits. There is no just transition if the financing and rewards do not reach the most vulnerable sectors of the population, including workers and small businesses. Climate finance should support local economic and enterprise development.



There is a difference between climate finance and just transition finance, requiring different intervention strategies depending on need. Climate finance supports investments where the impact is measured by reductions in greenhouse gas emissions, while just transition finance supports investments where the impact is measured by positive social and economic impacts for communities and workers that are negatively affected by decarbonisation activities. Because climate finance is technology driven and just transition finance is people driven, it follows that the two will have diverse sources of funding, generate different opportunities and barriers, and hence require different intervention strategies.

Studies suggest that some just transition projects could be funded within the ambit of the current climate finance ecosystem, based on an examination of the underlying project characteristics. The number of such projects funded could be increased if de-risking interventions were stepped up. This is particularly true of just transition projects that use recent technology. The provision of de-risking instruments and mechanisms would be a good fit for offshore development finance institutions and multilateral development banks, in line with commitments made under the Paris Agreement.

A larger group of just transition projects may, however, be unable to be funded by the existing finance ecosystem because of their novelty To deliver such projects will require a fundamental system level change. This new finance ecosystem will be able to deal with non-traditional participants; suites of projects with layers of different funding needs; system level support from the finance ecosystem to be part of developing the project pipeline; and the expansion of grant, concessionary, impact and de-risked investment instruments and mechanisms. One of the challenges South Africa might face in financing a just transition is that markets have not yet appropriately valued social outcomes. These outcomes include job creation, better livelihoods for displaced workers, and resilience of vulnerable households to natural disasters.

It is important to understand the risk implications associated with just transition finance and to share the risks across investors. South Africa needs a viable base plan before seeking finance, with a critical evaluation of the assumptions underpinning the financial needs (both in terms of quality and quantity), so as to not amplify the risk of misdirected and failed transition processes. Technology providers and the international community should be involved in risk sharing. Development finance can play a critical role in mitigating the risk of long-term finance, where institutions like the multilateral development banks have considerable experience in long-term institutional capital.

A regional approach to financing the just transition could prove catalytic and, in some cases, is essential. South Africa could look beyond its borders when financing just transition projects and initiatives. For example, the Mpumalanga coal transition will have an impact on water flow into Mozambique (and the largest dam in the Limpopo Basin, the Massingir Dam, which currently feeds 60 000 hectares of agriculture land downstream), and some of the solutions lie outside South Africa's borders, for example, the Inga Dam and energy programme. In this regard, a SADC-wide discussion on just transition finance should take place.



Report and dialogue #5:

Water Security

THE FIFTH REPORT AND DIALOGUE HIGHLIGHTED THE IMPORTANCE OF WATER SECURITY AND THE NEED TO CONSERVE AND MANAGE WATER RESOURCES AS AN ESSENTIAL COMPONENT OF A JUST TRANSITION.

KEY MESSAGES

Access to safe water is a basic human right. Many South Africans still do not have access to basic water and sanitation services. There is an urgent need for redress. Ensuring water access for all is essential for meeting national development aspirations, and for achieving a just and equitable transition.

South Africa is a water-insecure country, and climate change will further exacerbate the current water-security challenge. The current water crisis is driven by both human and natural factors, affecting the country's economic growth and natural ecosystems, as well as the well-being of people. The country's ability to adapt to a changing climate will depend on adequate management of water resources, improved water-sector governance, and protection of strategic water source areas, among other factors. The most viable adaptation approach recognises that impacts, risks, and potential solutions for improving water security can be found well beyond the water sector.

Water security is essential to building climate resilience and supporting a just transition. Investments to improve water security should focus on improvements in the built infrastructure, as well as the natural (ecological) infrastructure, both of which are steadily deteriorating. Ecological infrastructure is the nature-based equivalent of built infrastructure, providing critical reinforcement to these built systems through services such as provision of fresh water, climate regulation, soil formation and disaster risk reduction.

The complex interlinkages of the food-water-land nexus are at the heart of the economy and the people's well-being. This lens provides a helpful approach for addressing water security and the associated adaptation challenges.

The allocation of water must be carefully considered in the transition. While efficiency is desirable, it is important to prioritise water allocation for economic activities that are essential and valuable for long-term low-emissions development. This allocation process should also be viewed through a justice lens to ensure benefits accrue to vulnerable communities. There is also tremendous opportunity here to create green jobs and develop small businesses in support of a just and equitable transition. Problems with water service delivery appear to be man-made and must be rectified. Current problems include water leaks in local municipal areas,



abuse of the tender system, vandalism of water-supply tankers, and the inability to manage domestic wastewater treatment plants. Mechanisms to enhance access need to be implemented quickly, with a particular focus on vulnerable households or smallholder farmers that are dependent on water access for their enterprise and livelihoods.



Existing water infrastructure should be protected and maintained. Water losses through leaks should be managed and serious efforts made to arrest the decline of municipal revenue as a result of these losses. Ecological water infrastructure should also be a priority for conservation, through efforts such as wetland rehabilitation, restoration, and removal of alien invasive species.

Improved farming practices can help to conserve water, improve climate resilience, and support the lives and livelihoods of farmers. Agriculture is one of the sectors that consume most water in South Africa. Water conservation practices include planting drought-resilient crops, installing drip irrigation infrastructure, and implementing rotational grazing.

Existing water strategies and plans should be implemented to improve water security. The timely implementation of the recommendations set out in, for example, the National Water and Sanitation Master Plan, and the National Water Security Framework, would improve the management of scarce water resources, particularly when coupled with commitments to uplift communities and protect the environment.

Beukman and Reeler (2021) propose the following actions to support a just transition in the water sector:

- Strengthen water governance structures, focusing on effective policy implementation, participatory and inclusive processes, as well as strengthened institutions
- Protect the strategic water-source areas that provide most of the nation's water
- Invest in ecological infrastructure to strengthen the provision of water and enhance the resilience of people and ecosystems
- Support local communities to be custodians of critical resources, including through payments for ecosystem services
- Capitalise on the labour potential involved in securing and strengthening ecological infrastructure to generate local jobs
- Invest in strengthening and maintaining current built water infrastructure to cope with changing climate conditions
- Consider both climate adaptation and mitigation objectives for water-sector action
- Move away from water-intensive energy sources such as coal and ensure that restoration activities benefit local communities
- Improve water allocation processes by prioritising human welfare and those economic activities that support a just transition to a low-emissions and climate resilient economy



Report and dialogue

#6: Governance

THE SIXTH REPORT AND DIALOGUE FOCUSED ON THE GOVERNANCE FUNCTIONS THAT ARE REQUIRED TO SUPPORT A JUST TRANSITION, INCLUDING THE ROLE OF PUBLIC PARTICIPATION IN EVIDENCE-BASED POLICYMAKING.

KEY MESSAGES

Achieving a just transition will require a different and coherent governance model. Such a model is one in which the state works in a cooperative manner with social partners, coordinated by the centre of government.

Intergovernmental cooperation, including on planning and implementation, is a key component of effective governance for a just transition. The government must coordinate, especially at the executive level, the effort to address climate change and achieve a just transition, helping to ensure legislative and policy coherence.

All spheres of government must embrace the just transition agenda. It must be placed more centrally in the mandates of government agencies, with dedicated regional development mechanisms and cascading engagement between social partners to the provincial and local levels. Municipalities, for example, provide critical local knowledge and often support effective policy implementation and community engagement. They are the frontline providers of core infrastructure services. National departments, on the other hand, have far greater power to mobilise national resources and technical capacity, and have regulatory power and control over economic levers. A core challenge is to recognise and build on these different strengths. South Africa has a well-developed intergovernmental system of coordination that can be used to align just transition interventions.

New, dedicated agencies may be required for certain key tasks in support of a just transition. This would, for example, include the diversification of the coal districts in Mpumalanga or more consistent tracking and anticipation of the effects of climate change.

All social partners must be held to account in the just transition, with regular monitoring, review, and reporting towards stated goals. The mandates and monitoring systems of government departments, for example, could be based, more visibly and consistently, on the national aims of the just transition. These objectives could be incorporated into the annual performance plans and budgets of agencies. The plans could also provide for implementation/enforcement of real and timely consequences if there is no progress towards the targeted objectives over a reasonable timeframe.



Decision-makers should have to publish the reasons for their decisions to promote

accountability and evidence-based discourse. This means laying out evidence and explaining how it shaped choices. New proposals should specify a critical path to achieving the desired objectives, and proponents should have to publish results, including honest consideration of the benefits, costs, and risks to different socio-economic groups.

There is a need for genuine consultation and engagements with communities and stakeholders affected in the transition.

This engagement should focus particularly on vulnerable groups such as women, communities living around the coal fields, and unemployed youth. Communities should be given the opportunity to raise their views and contribute by providing inputs in the just transition processes from the beginning stages, right up to implementation. The objectives of consultation processes must always be clear. Objectives could range from obtaining information and mobilising support, to tough negotiations with powerful stakeholders. Clear objectives will help to define who should participate in consultations, the technical capacity required, and dispute-settlement systems. New and more effective engagement forums within the government, importantly, with adequate capacity, could also help to settle disputes and ensure quick decision-making.

Education and awareness programmes on climate change and the just transition are important.

The conversations are not being “felt” enough, and politicians are not saying much on the impacts and what solutions should be embarked on. Awareness-building should be done in communities and schools, and communicated on radio and television, in newspapers and/or social media, with poverty alleviation and addressing unemployment at the centre of the conversation. A programme to involve and educate communities on the just transition is required. The government should avoid the use of scientific phrases and jargon, which could create language barriers that hinder understanding of the debates on the just transition.

A just transition should support transparency, accountability, and inclusivity. The fundamental nature of a just transition is the shift of power, control, and accountability from the centre, to the marginalised who have been underserved.

A just transition should not perpetuate market-entrenched interests, but promote transparency, accountability, and inclusivity. The just transition should support vulnerable and affected populations to reap benefits from the shift to a greener and more sustainable economy. The transition should include gender justice and seek to involve communities to allow them to have a share in future dispensations, for example, through a social franchising model for new enterprises.

The PCC will be instrumental in overseeing and facilitating the just transition. The PCC’s location within The Presidency will help to achieve a balance between opposing positions and interests in powerful line ministries; this cross-cutting role could help to avoid fragmentation due to oppositional attitudes and actions.



Looking ahead

South Africa is at the beginning of the just transition journey, with much still to be formulated in the way of policies and actions. The just transition framework that will be developed by the PCC presents an opportunity to start dealing with issues relating to governance mechanisms, economic diversification tools, labour market interventions, and social support.

The messages presented in this report (among others), show that there is much to build upon to support a just transition in South Africa. The process is not starting from scratch but building on years of policymaking, engagement, learnings, and experiences. These learnings and experiences are from a broad array of sources, including the South African government, social partners, and other jurisdictions that have undergone transitions away from fossil fuel-reliant economies while at the same time entrenching just transition considerations and imperatives.

From the reports and dialogues conducted by the Presidential Climate Commission in 2021, it is clear that:

- There is broad consensus on how to define a just transition, and broad commitment to the principle across all stakeholder groups
- There is also consensus on who the affected parties are – not just workers in the fossil-fuel value chain, but also the unemployed, poor households, communities, youth, and women affected by both climate change and mitigation measures
- The climate transition is not just an environmental issue. It is more directly an economic and social issue with profound implications for the future competitiveness of the South African economy and livelihoods of its people
- It is important to sequence and align economic, social, and mitigation and adaptation measures, which means the country will need a just transition framework that is translated into an implementation plan and detailed employment strategy
- There is commitment among social partners to procedural justice, involving the most affected in the decision-making process, and reconfiguring the governance processes to ensure all aspects of the just transition (procedural, redistributive, and restorative) are addressed

The time horizon for the transition is quickly approaching, and a coordinated response is needed. The just transition framework will offer recommendations on how support measures can be harnessed at the appropriate times to mitigate transition impacts on workers, communities, and small businesses, providing a basis for the implementation plan that will follow. These actions and plans are long-term investments in democracy and environmental justice and, importantly, will also support the achievement of South Africa's national development objectives.



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